HB107 House State Administration Proponent Comments

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Notes

1. Why I became involved in MPERA-PCR- Equity in funding for our employees retirement system.
2. The PCR was an actuarial method to determine the cost borne by the old DB plan by having a DC Plan option available.
3. Before I joined The DC Plan I went to Helena and learned what to expect from the PCR.
4. There would be amount allocated to the DC Plan from the DB Plans unfunded liabilities and something called the normal cost adjustment. I read the law and it appeared to me that the unfunded liability portion was fixed, based on the 1998 Actuarial Schedule. I did modeling based on what I thought I knew and estimated that the UAL portion of the PCR would be paid off within four to six years and the wildcard was the normal cost adjustment. But, the bulk of my employer contributions going to the PCR would be consumed by the unfunded liability portion of the PCR. As a result, I believed that within or just after I became vested a majority of my employer contributions from the PCR would start going into my DC account. I accepted that short term deferral of my employer contributions and joined the DC Plan. "PCR Point"
5. No other example of any state using a plan choice type mechanism.
6. Other states that have the two options have equal funding for both their participants in the DC Plan and DB Plan
7. It is a basic concept to fund your employees in the same system at the same level.
8. When I analyze our employee cost to the District, included is the amount contributed for their retirement plan. There is an expectation by both the employer and the employee that the contributions made on the employee's behalf benefit their plan.
9. Expected Schedule-Policy Issues 1999-2000 interim report
10. Actual Schedule
11. The benefits that were locked into the allocated unfunded liability have proven to be unsustainable under the current contribution level. However, the DC Plan allocated unfunded liability has that benefit level locked into the UAL balance. When the law increased employer contributions by 1% because of the 3% GABA it should have put the 1% through the DC Plan's PCR as the earlier .27% increase was. Taking the additional 1% employer from the DC Plan's PCR and sending it directly to the DB Plan appears to violate the idea of equal protection under the law.
12. Point of why it is fair and equitable to fund both DC and DB at the same level. In an effort to treat employees in both plans equitably, if an increase in the DB plan is required the DC Plan probably needs an increase as well. It's a fair bet that if the professional investors at the BOI are having trouble in the market achieving adequate returns to fund the DB Plan surely the amateurs in our DC Plans are as well. The question for the state now is does the state rob Peter to pay Paul knowing that in reality both are under stress from the marketplace that they both use for their retirement. I would say no the State should fund both Plans at the same level to create a level playing field for the two options available to state employees. The concept of basic fairness and equity to state employees.
13. Normal Cost Adjustment no impact
14. Coal Trust Money- An extra 3% going to the Defined Benefit Plan
15. Elephant in the room- It borders on absurd that $5 Billion pension plan with approximately 60K total participants is picking the pockets of $130 Million pension plan with approximately 3K total participants. The contributions taken would have only a negligible effect on a $5 Billion pension plan. Robbing Peter to Pay Paul in the employment arena is wrong.
16. My letter to the committee outlines what I believe to be the necessary amendments to HB107 and SB42.
17. Conclude- HB107 as proposed to be amended by Representative Cook will provide the fair and equitable transition for the DC Plan from the Plan Choice Rate.
18. Funding the two PERS options in the state's public retirement system at the same level is the right thing to do.